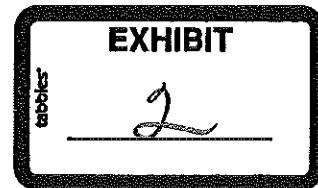


Transcript of the Testimony of
WILLIAM EDWARDS, JR

Date: July 23, 2013
Volume: I

Case: STATE OF OKLAHOMA, ex rel v. STAFFING CONCEPTS
INTERNATIONAL, INC

NATIONAL COURT REPORTERS INC
Phone:888-800-9656
Fax:866-819-2317
Email:mail@nationalcourtreporters.com
Internet: www.nationalcourtreporters.com



Page 1	Page 3
IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA	1 DEPOSITION OF: WILLIAM EDWARDS, JR.
STATE OF OKLAHOMA, ex rel. JOHN DOAK, INSURANCE COMMISSIONER, AS RECEIVER FOR PARK AVENUE PROPERTY & CASUALTY INSURANCE COMPANY, and Case No. 5:12-cv-00409-C STATE OF OKLAHOMA, ex rel. JOHN DOAK, INSURANCE COMMISSIONER, AS RECEIVER FOR IMPERIAL CASUALTY AND INDEMNITY COMPANY,	2 3 INDEX 4 Examination Page 5 By Mr. Kernan..... 4 6 7
Plaintiffs,	EXHIBITS
vs.	8 Description Page 9 1, Deposition Notice..... 8 10 2, Certificate List..... 84 11 3, Loss Run..... 88 12 4, Reitz/Klimek E-mails 5/9/07..... 120 13 5, Hardin/Lancaster E-mail 7/7/09..... 149 14 6, Hardin/Lancaster E-mails 8/17/09..... 150 15 7, Lancaster/Klimek E-mails 1/14/08..... 157 16 8, Foley/Lancaster E-mails 8/10/25..... 158 17 9, Lancaster/Klimek E-mails 2/8/08..... 159 18 10, Sullivan/Gober E-mails 4/23/09..... 160 19 11, Sullivan/Gober E-mail 1/29/10..... 161 20 12, Sullivan/Gober E-mail 2/3/10..... 162 21 13, Sullivan/Gober E-mail 2/26/10..... 164 22 14, Sullivan/Gober E-mail 3/8/10..... 165 23 15, ICIC Loss & ALAE Summary..... 166 24 25
STAFFING CONCEPTS INTERNATIONAL INC., Defendant. /	Page 2
DEPOSITION OF WILLIAM EDWARDS, JR. TAKEN BY: Plaintiff's Herein	Page 4
DATE: Tuesday, July 23, 2013	1 APPEARANCES: 2 PATRICK H. KERNAN, ESQUIRE 3 GREG REILLY, ESQUIRE 4 Newton, O'Connor 5 Turner & Ketchum, P.C. 6 15 West Sixth Street 7 Suite 2700 8 Tulsa, Oklahoma 74119 9 Appear on behalf of Plaintiff's
TIME: 9:13 a.m. - 4:11 p.m.	1 PROCEEDINGS 2 * * * * *
PLACE: Broad and Cassel 100 North Tampa Street, Suite 3500 Tampa, Florida	3 4 WILLIAM EDWARDS, JR., 5 a Witness herein, having been first duly sworn to tell 6 the truth, the whole truth, and nothing but the truth, 7 testified and said as follows: 8 EXAMINATION 9 BY MR. KERNAN:
REPORTED BY: Linda C. Mead, CCR, CSR Notary Public, State of Florida	10 Q Would you state your name for the record, 11 please. 12 A <u>Billy Edwards, Jr.</u> 13 Q Mr. Edwards, where do you live? 14 A I live in Ruskin, Florida. 15 Q And what is your occupation or profession? 16 A <u>Attorney.</u> 17 Q And do you practice in a law firm or by 18 yourself? Where do you practice? 19 A <u>I have a law firm and I also work as general</u> 20 <u>counsel for the SCI companies. And that's an in-house</u> 21 <u>position.</u> 22 Q Is your law firm outside the SCI general 23 counsel position? 24 A Yes. 25 Q What's the name of your law firm?

Page 5

1 A Dominguez & Edwards.
 2 Q I'm vaguely familiar with the name Dominguez
 3 as appearing on some of these documents. Is this the
 4 same person that's also involved with SCI?
 5 A J.C. Dominguez, yes.
 6 Q Okay. And how long have you been practicing
 7 law, Mr. Edwards?
 8 A Since 2002.
 9 Q How old a man are you, sir?
 10 A I am 36.
 11 Q How long have you been general counsel for
 12 SCI?
 13 A I've been general counsel since 2009. I have
 14 worked there since 2004.
 15 Q When you say SCI, you're referring to
 16 Staffing Concepts International, Inc.? Is that the
 17 full name of the --
 18 A That's one of the SCI companies, yes.
 19 Q So is SCI a d/b/a for Staffing Concepts
 20 International or is SCI a holding company?
 21 A SCI is a trade name.
 22 Q Okay.
 23 A It's used to refer to Staffing Concepts
 24 International on some level, but it's primarily just a
 25 brand name for our PEOs.

Page 6

1 Q Okay. The PEOs that are clients of Staffing
 2 Concepts International, Inc.?
 3 A Are Venture Resources Group and Staffing
 4 Concepts National.
 5 Q Okay. Are those PEOs that are owned by SCI?
 6 A By Staffing Concepts International.
 7 Q Okay. And SCI is just a trade name for
 8 Staffing Concepts International, Inc.?
 9 A It refers to all of the SCI PEOs.
 10 Q Okay. Before you became general counsel in
 11 2009, what did you do at SCI?
 12 A Corporate counsel. Just another attorney
there.
 13 Q Did SCI have -- That makes it sound like SCI
had more than one lawyer in-house.
 14 A Correct.
 15 Q How many lawyers did it have?
 16 A When I started we had three, including J.C.
Dominguez and Jane Phillips.
 17 Q Okay. That was back in 2004?
 18 A Correct. Although J.C. was focused primarily
 19 on the business side as opposed to legal at the time I
 20 started.
 21 Q Okay. When you became general counsel in
 22 2009, did you have other lawyers in-house that were

Page 7

1 working for you?
 2 A I had one other attorney at the time.
 3 Q And his or her name?
 4 A Aimee, A-i-m-e-e, Eberst, E-b-e-r-s-t.
 5 Q When you started with SCI in 2004,
 6 Mr. Edwards, roughly how many employees did SCI have?
 7 A I don't know.
 8 Q Do you have an approximate number?
 9 A More than 100. Possibly between 100 and 150.
 10 Q Okay. Thank you.
 11 Back in 2004, who was the president or chief
 12 operating officer of Staffing Concepts International,
 13 Inc.?
 14 A Henry C. Hardin, III. Hardin is H-a-r-d-i-n.
 15 Q And what was his title?
 16 A President and CEO.
 17 Q Is Mr. Hardin still the president and CEO of
 18 Staffing Concepts International, Inc.?
 19 A Yes.
 20 Q And the general counsel in 2004, did you tell
 21 me it was Jane Phillips?
 22 A She was one of the attorneys. I don't know
 23 that her title was general counsel at that time. She
 24 may have had a corporate counsel title. I don't think
 25 she actually got the title general counsel until later.

Page 8

1 Q Okay. Do you know when Staffing Concepts
 2 International, Inc., Mr. Edwards, was formed, when it
 3 began business?
 4 A Approximately -- I don't. I can't tell you
 5 off the top of my head. Sorry.
 6 Q Roughly?
 7 A Somewhere between '85 and '91. It's been in
 8 business in one iteration or another, SCI companies has
 9 been, since '85.
 10 Q Do you know when Staffing Concepts
 11 International first started doing business with
 12 Providence Property & Casualty Insurance Company?
 13 A 2003.
 14 Q Am I to understand that predates your --
 15 A That is correct. Sorry, I didn't let you
 16 finish.
 17 Q Do you know who with Staffing Concepts
 18 International made the initial contacts with people at
 19 Providence Property & Casualty Insurance Company?
 20 A It's my understanding it was J.C. Dominguez,
 21 (Exhibit I was marked.)
 22 BY MR. KERNAN:
 23 Q Let me hand you what I've marked as
 24 Exhibit I, Mr. Edwards, and ask you if you have seen
 25 that notice before? *Attorney*

Ex 1

2 (Pages 5 to 8)

<p style="text-align: right;">Page 9</p> <p>1 A I have seen the notice of deposition. 2 Q Am I to understand that you're designated to 3 speak on behalf of Staffing Concepts International, 4 Inc. in connection with those areas? 5 A That is correct. 6 Q Can you tell me what you've done to prepare 7 to provide testimony today. 8 MR. BARBER: I'll just object to interpose 9 attorney-client privilege and instruct the witness 10 to answer only to the extent that it doesn't 11 require you to divulge the content of confidential 12 discussions with me or anybody else at the law 13 firm.</p> <p>14 * THE DEPONENT: Primarily the pleadings. 15 BY MR. KERNAN: 16 Q All right. And so am I to understand that 17 you have read the pleadings and that that in addition 18 to talking to your lawyer, Mr. Barber, would be what 19 you've done to prepare? 20 A That's fair. 21 Q All right. Do you know how the first contact 22 with SCI and Providence Property & Casualty Insurance 23 Company was made, who made it, back in 2003? 24 A Jerry Lancaster and J.C. knew each other 25 through PEO-related networking gatherings is my</p>	<p style="text-align: right;">Page 11</p> <p>1 A It took place in Georgia at our office at the 2 time. That was I believe in Duluth, Georgia. 3 Q Okay. Do you recall what the purpose of the 4 meeting was with yourself and Jerry Lancaster and 5 probably -- Were there others involved in the meeting? 6 A There were others there, J.C. Dominguez, 7 Henry Hardin and Derek Lancaster. 8 Q Okay. Do you remember what the purpose was? 9 A I don't remember the details. I was really 10 new to SCI at the time and basically just there to 11 observe. 12 Q Sure. Do you have any notes or documents 13 that reflect that meeting? 14 A I do not. 15 Q Do you know who SCI, Staffing Concepts 16 International, Inc., was using for its workers' 17 compensation insurance before Providence Property & 18 Casualty Insurance Company in 2003? 19 A CNA. 20 Q And was CNA the only comp carrier that SCI 21 was using, if you know? 22 A I believe so. I'm not exactly sure when AIG 23 was in the picture, but CNA was the primary carrier 24 prior to Providence. 25 Q Do you know what happened to CNA or why SCI</p>
<p style="text-align: right;">Page 10</p> <p>1 understanding. 2 Q Okay. Do you know any more about it than 3 that? 4 A I do not. 5 Q Do you know anything, Mr. Edwards, about the 6 history of Providence Property & Casualty Insurance 7 Company before SCI started doing business with it? 8 A I do not. The only thing I can speak to 9 specifically is that I recall that Derek Lancaster was 10 president, and I thought that was odd because Jerry did 11 all the talking, Lancaster. 12 Q Okay. Anything else that you -- 13 A Nothing that sticks out. 14 Q And when you say Jerry did all the talking, 15 is that when you first got on board in 2004 and met 16 Mr. Lancaster? 17 A Correct. 18 Q And tell me, if you remember, what your first 19 experience -- when it was with Jerry Lancaster. 20 A It would have been in 2004, approximately 21 between June and -- between June and -- probably 22 between June and September of 2004. 23 Q Okay. And was this a business meeting? 24 A Yes. 25 Q Do you remember where it took place?</p>	<p style="text-align: right;">Page 12</p> <p>1 Staffing Concepts International, Inc., stopped using 2 CNA? 3 A I do. 4 Q What happened? 5 A CNA stopped writing PEO business. 6 Q Okay. And am I to understand then that 7 Staffing Concepts International, Inc. was needing to 8 find a workers' comp carrier in 2003? 9 A That is correct. 10 Q Do you know what other insurance companies 11 SCI may have contacted or discussed? 12 A Zurich. 13 Q Any others of which you're aware? 14 A Not that I'm aware of. 15 Q I'm going to try to pull some agreements out 16 in chronological order. I may -- I may not get it 17 right, but -- 18 I'm going to pull one under Tab 31 and Tab 19 38. 20 I'm going to try to get some documents 21 identified today here, Mr. Edwards. Let me start with 22 what I think is the first thing that got signed, but 23 maybe not. 24 Let me hand you, first of all, a proof of 25 claim. It looks like proof of claim Number PAPC00383</p>

<p style="text-align: right;">Page 13</p> <p>1 Is that what you have there? 2 MR. REILLY: Go to the second one. There's 3 two documents in the binder clip. 4 BY MR. KERNAN: 5 Q Would you take a moment and just kind of look 6 over that real quick. I'm not asking you to study 7 every single page, I just want you to be familiar with 8 it. 9 A Okay. 10 Q Are you -- Are you familiar with this proof 11 of claim that was filed on behalf of Staffing Concepts 12 International on -- it looks like it has a received 13 date of February 17, 2011? Are you familiar with this 14 document? 15 A I am. 16 Q Did you help prepare it? 17 A I did. 18 Q I want to go to Exhibit B, Mr. Edwards. Are 19 you familiar with this surplus loan agreement that's 20 attached to the SCI proof of claim? 21 A I am. 22 Q If I'm understanding you, you were not 23 employed at SCI at the time this particular document 24 was signed; is that correct? 25 A I was not.</p>	<p style="text-align: right;">Page 15</p> <p>1 the two parties are that is part of this agreement? 2 A On page one it refers to Staffing Concepts 3 International and it also refers to Providence 4 Holdings, Inc. 5 Q Okay. Do you know what Providence Holdings, 6 Inc. is? 7 A I do not. 8 Q Are you aware that it's a holding company -- 9 a separate entity from Providence Property & Casualty 10 Insurance Company? 11 A I understand that that may be the case, but 12 I'm not familiar with their corporate structure. 13 Q Are you -- Have you read this surplus loan 14 agreement before as part of your duties? 15 A I have read it, yes. 16 Q Are you aware that the money that was loaned 17 by Staffing Concepts International to Providence 18 Holdings, Inc. was \$2,285,000? Do you see that? 19 A I see the amount. I'm not aware of it being 20 actually a loan, but I do see the amount \$2,285,000. 21 Q Do you see that the document contemplates a 22 loan from Staffing Concepts International, Inc. to 23 Providence Holdings, Inc. of \$2,285,000? 24 A I see that the title of the agreement is 25 surplus loan agreement.</p>
<p style="text-align: right;">Page 14</p> <p>1 Q If I'm understanding, Henry Hardin was the 2 president <u>and CEO at the time, correct?</u> 3 A Correct. 4 Q And there were -- there were some corporate 5 counsel. I wrote down Jane Phillips, but I wrote down 6 three lawyers. Were there -- Was there a staff of 7 lawyers in-house in 2003 for SCI if you know? 8 A In 2003 Jane -- Jane Phillips and J.C. 9 Dominguez. And J.C. was, I believe, operating more in 10 a business role than an attorney role. 11 Q Okay. 12 A At one point we had another attorney, Rob 13 Genders briefly, but I don't recall his dates of 14 employment. 15 Q Okay. Would it be your belief that this 16 agreement, this Exhibit B agreement, that it's signed 17 by Henry Hardin, correct? 18 A Page four appears to have his signature. 19 Q Would it be your belief that Mr. Hardin would 20 have had Jane Phillips and probably J.C. Dominguez look 21 at this agreement with him or for him before he signed 22 it? Would that be your expectation? 23 A I would expect that J.C. would have reviewed 24 it. 25 Q All right. And do you -- Are you aware who</p>	<p style="text-align: right;">Page 16</p> <p>1 Q Do you agree that this document reflects a 2 loan? 3 A No, I don't. This was set up for collateral. 4 Q Does it say something about collateral in the 5 document? 6 A The surplus loan agreement is titled surplus 7 loan agreement. 8 Q Do you -- Do you see what the money was to be 9 paid for -- was to be used for there in the third 10 whereas clause, those four paragraphs? 11 A I can read that, but I also have seen the 12 letter agreement from 2003 that refers to this as 13 collateral. 14 Q All right. Well, my question is do you see 15 in the third whereas the four uses for these what are 16 described in the document as borrowed funds? Do you 17 see those four? 18 A Yes. 19 Q Do you have any -- Do you have any indication 20 that the borrowed funds were not used for one of 21 those -- one or more of those four purposes set forth 22 in that -- in the first page of this agreement? 23 A I don't know what the Lancasters used it for. 24 I know what it was supposed to be used for, but I don't 25 know what they actually used it for.</p>

1 signature and he's signing as the underwriter. And to
2 my knowledge he was the president and CEO of Imperial
3 and Providence Property & Casualty, and here he's
4 signing as the underwriter, which is -- I'm not sure
5 which entity he's representing here. It just struck
6 me.

7 Q Okay.

8 A I apologize for not recognizing that, but as
9 underwriter it didn't --

10 Q That's fine. My question is, does Staffing
11 Concepts International, Inc. have an agreement that
12 contains different or other provisions in addition to
13 1371 through 1387 that relates to writing insurance
14 from April of 2009 through April of 2010?

15 A Of course there would have been the policies
16 themselves and anything else that -- I haven't seen a
17 proposal with additional terms, or at least you haven't
18 given me one today that has additional terms for this.
19 So can I specifically point you to other specific
20 documents for this time frame? No.

21 Q All right. Who was the person that primarily
22 dealt with claims handling, claims issues for Staffing
23 Concepts International? Let's go back to 2003 when
24 Staffing Concepts International first contracted with
25 Providence Property & Casualty Insurance Company.

1 A We had a very small staff that would have
2 dealt with claims. Chris Sullivan is the -- I don't
3 know what his title was at the time, but director of
4 risk management. And he wouldn't have been in any sort
5 of detailed level of claims. There was an admin person
6 that reported to him that received claims
7 communications, and that was Michele, I believe it's
8 M-i-c-h-e-l-e, Entin, E-n-t-i-n.

9 Q I'm sorry. Would you do that last name
10 again.

11 A E-n-t-i-n. For 2003.

12 Q Let me just take Chris Sullivan. Is he still
13 here with Staffing Concepts International, Inc.?

14 A He works for Risk Management Underwriters and
15 they provide services to Staffing Concepts
16 International.

17 Q All right. At some point did he leave
18 Staffing Concepts International and go to a company
19 called Risk Management Underwriters?

20 A He began working for them in January of this
21 year.

22 Q That would be 2013?

23 A Correct, 2013.

24 Q Is Risk Management Underwriters affiliated
25 with Staffing Concepts International, Inc.?

Page 62

1 A They provide services for the SCI companies.

2 Q Okay. Do they provide services for any other
3 companies besides the SCI companies?

4 A I believe so. And I could not -- Well,
5 actually I know they do, yes.

6 Q Okay. Who -- Do you know who owns Staffing
7 Concepts International, Inc.? Is it Mr. Hardin?

8 A Mr. Hardin owns more than 90 percent of it
9 and a gentleman by the name of Juan Carlos Cuello owns
10 less than 5 percent, probably about 3 percent and
11 change. His last name is spelled C-u-e-l-l-o.

12 Q You're pretty good.

13 Does Mr. Cuello participate in the business?

14 A No, not at all.

15 Q And does Mr. Hardin own Risk Management
16 Underwriters as well?

17 A He may. He may. I'm not as involved with
18 that.

19 Q All right. Let me go back to this document
20 1097 -- Or strike that.

21 Before I go back and talk about these claims,
22 does Staffing Concepts International, Inc. have another
23 agreement between the parties, a written agreement,
24 that I have not provided you and we have not talked
25 about today?

1 A There are probably handling instructions that
2 Providence would have that are specific to our account.
3 I don't have those. Providence would have those. They
4 kind of adapt over time. But there would be handling
5 instructions that were agreed upon.

6 Q Okay. Handling instructions like how to send
7 money in, wiring instructions, is that what you're
8 talking about?

9 A No, not at all. For the actual handling of
10 the claims. You know, what sort of contact as a
11 customer of Providence we expect related to claims, how
12 those -- how the claims are reported to the carrier,
13 any sort of specific input that we want to have and at
14 what levels, things like that, would be covered by the
15 handling instructions. *SCI Handling Instructions*

16 Q Okay. Do you have a copy of those handling
17 instructions that we can mark?

18 A I do not. And I don't know that Mark -- I
19 don't believe Mark does either, so I don't believe we
20 have those.

21 Q Is there anything about those handling
22 instructions that Staffing Concepts International, Inc.
23 believes was breached or is relevant to the accounting
24 and numbers involved in this case?

25 A Generally the handling instructions

1 incorporate best practices for claims adjusting on some
2 level. It may vary somewhat, but generally a best
3 practice is sort of instructions in addition to client
4 specific instructions. And so, yes, I would say that
5 it's fair to say that Providence or its affiliates
6 mishandled claims.

7 Q Okay. Let's take the -- And if I'm
8 understanding today at your 30(b)(6) deposition
9 Staffing Concepts International, Inc. cannot identify
10 for the record any underwriting or handling
11 instructions or best practices that it believes was
12 breached by Providence Property & Casualty Insurance,
13 correct?

14 A I don't know what their underwriting policies
15 were. I don't know what their underwriting obligations
16 are from a licensure prospective. I can't speak to
17 those specifically. The claims handling instructions I
18 can -- I can speak to the best practices certainly, but
19 I don't have the claims handling instructions in front
20 of me. They would be standard.

21 Q Let me try it again. I think it's a yes or
22 no question -- or answer. But Staffing Concepts
23 International, Inc. today does not -- cannot identify
24 and provide at this deposition handling instructions
25 and/or best practices guidelines that it believes were

1 breached by Providence Property & Casualty Insurance,
2 correct?

* *

3 A I cannot provide them.

4 Q Okay. Let's take the first year. And I'm
5 going back to 1097 to 1100, Mr. Edwards. The first
6 year under the insurance agreement between SCI and
7 Providence Property & Casualty Insurance Company was
8 April 1st of 2003 through March 31st of 2004, am I
9 right?

1st year

10 A I don't believe that's correct.

11 Q All right. Tell me what's --

12 A I believe it's April 30th, 2003 through
13 April 30th, 2004.

14 Q All right.

15 A To my recollection.

16 Q All right. That first year, does Staffing
17 Concepts International, Inc. have some testimony today
18 that claims that were administered -- Strike that.

19 Does Staffing Concepts International, Inc.
20 contend in this lawsuit that there were workers'
21 compensation claims that were submitted to Providence
22 Property & Casualty Insurance Company between
23 April 30th, 2003 and April 30, 2004 that were simply
24 not administered, they weren't paid, just went
25 through -- into a black hole?

*

1 A Not paid at all or administered at all?

2 Q Right.

3 A I'm not aware of any. *

4 Q All right. Does SCI today have any claims
5 that were submitted to Providence Property & Casualty
6 Insurance Company during that first year, April of
7 '03 to April of '04, that it believes were improperly
8 handled by Providence Property & Casualty?

9 A There were claims that were improperly
10 handled during that time frame, yes.

11 Q All right. I'm ready for the first one. *

12 A To provide you with a claim-by-claim listing,
13 I cannot do that today. I can speak to the overall and
14 I can speak to a few of the cases that resonate with me
15 that I remember over the course of the relationship
16 with Providence. *

17 Q Why can't Staffing Concepts International,
18 Inc. provide us with a detailed claim-by-claim listing
19 and the information relevant to those claims that it
20 believes were improperly handled during that first
21 year?

22 A That's an easy one. I don't have access to
23 the claims files.

24 Q Okay. Well, you have access to the files
25 that SCI has, correct? *

1 A The limited files that we keep on them.

2 Q Did SCI get an invoice and a loss run that
3 reflected all of the payments made on every single
4 claim? Did SCI get that every month, Mr. Edwards, from
5 2003 forward?

6 A What we got was a sum total. It does not
7 break out the specific payments.

8 Q Have you looked at the information that the
9 Receiver has provided in the course of this discovery?

10 A I have.

11 Q And your testimony here today as the 30(b)(6)
12 witness is that SCI is simply not able to identify
13 those claims which it contends were improperly
14 administered? Is that the testimony today?

15 A I can identify a few of them. There's the
16 "Claimant 1" claim.

17 Q SCI, I want to get this for the record, has
18 reviewed all of the documents, all the material that
19 the Receiver has provided to date, correct?

20 A I have not reviewed every page by page, no.

21 Q Well, I'm not asking about --

22 A I have --

23 Q -- you, Mr. Edwards, I would doubt seriously
24 if that's part of your job description, but my question
25 is as the 30(b)(6) witness has SCI caused those

1 documents to be reviewed so that it can determine what,
2 if any, claims it contends were improperly adjusted?

3 A We have reviewed the documents received from
4 the Receiver.

5 Q All right. And aside from the claims that
6 you're able to testify about orally, which we're going
7 to get into here in a few minutes, SCI does not have a
8 listing -- a specific identification of all claims that
9 it contends were improperly administered, correct? 

10 A Correct.

11 Q All right. Does SCI -- Can you point me --
12 Let's stay with the first year. And we'll get to your
13 oral statements here about claims in just a minute, but
14 let's stay with the first year. Does SCI have some
15 documents in its records that reflect complaints made
16 by SCI to Providence Property & Casualty Insurance
17 Company between April '03 and April '04 about claims?
18 Do you have some documents that reflect that?

19 A We do, and we're in the process of compiling
20 them. 

21 Q All right. Do you have any of those
22 available for me to talk to you about this morning? 

23 A I do not.

24 MR. KERNAN: Off the record.

25 (Discussion was held off the record.)

1 MR. KERNAN: Back on the record.

2 BY MR. KERNAN:

3 Q All right. Mr. Edwards, what you're telling
4 me is that SCI is in the process of having its staff
5 people look at the claims submitted from April '03 to
6 whenever claims stopped being submitted and provide the
7 Receiver with a list of those documents that reflect
8 complaints made by SCI to Providence Property &
9 Casualty; is that correct?

X

10 A That's correct, for the specifics.

11 Q All right. Have you seen any documents as
12 you sit here today that reflect complaints made by SCI
13 to Providence Property & Casualty Insurance Company
14 about claims?

15 A Yes. Over a period of time I have seen
16 e-mails, had e-mails forwarded to me, that contain
17 complaints.

18 Q All right. And those would have been
19 probably e-mails from either Chris Sullivan or Michele
20 Entin to you where they had e-mailed someone at
21 Providence about a claim?

22 A Well, actually you only asked me about the
23 2003 claims people. We've had subsequent claims
24 employees.

25 Q Okay. Tell me -- Tell me the subsequent

1 claims employees. And you're right, I stopped at 2003
2 and 2004.

3 A Yeah. The list -- In 2004 in approximately
4 June we hired Jennifer Johns.

5 Q All right.

6 A And she is or has been responsible for claims
7 for many years on a more detailed sort of basis.

8 Q All right. Is she still here?

9 A She works for Risk Management Underwriters.

10 Q Okay. Still doing the claims for --

11 A Less of the claims administration, but yes.

12 Q Okay. Jennifer Johns.

13 A Timothy Christy.

14 Q When did he come on board?

15 A He was late 2003, early 2004. He was
16 probably -- I think he was hired before Jennifer, and
17 he stayed about a year and a half. So probably through
18 2005. He worked primarily on CNA claims, old CNA
19 claims, as opposed to Providence. But he had some
20 crossover.

21 Q All right.

22 A Amanda Barreto has been with SCI for about
23 five, five to six years.

24 Q B-o --

25 A B-a-r-r-e-t-o. At the time she was hired she

1 was either Amanda Perez, P-e-r-e-z, or at other times
2 Amanda Perez-Chang, C-h-a-n-g. And I hope I spelled
3 her current last name correct.

4 Q Okay. Anybody else that you can do word
5 searches and try to find e-mails?

6 A Diana Christy also worked in claims. Tiffany
7 Rodriguez worked on our return-to-work program.

8 Q Okay. Anybody else?

9 A There may have been a few others that came
10 and went over the years. I can't recall the others,
11 but we've had some that have been short-term that have
12 either lasted a year or less that I know I'm not
13 recalling.

14 Q All right. In your preparation for this
15 deposition or as part of your job functioning, have you
16 looked at some of these e-mails from these individuals
17 that you've just talked about to various people at
18 Providence Property & Casualty that are raising issues
19 about claims handling?

20 A Unfortunately I'm relying on -- to a large
21 degree on memory of things that I have seen. And I
22 have seen some things as we started the compiling
23 process related to, you know, in the very recent past.

24 Q All right. Do you recall and have you
25 reviewed the records of SCI to determine whether in the

Page 72

1 first year, from April 30, '03 to April 30, '04, that
2 first year, whether or not there were any claims,
3 invoices submitted to SCI that were not paid because of
4 some objection to the claim or a payment being made
5 under the claim? Do you recall any -- any claim that
6 wasn't paid by SCI because of that?

7 A I do not.

8 Q Going to the next one. This would have been
9 April 30 of 2004, may have been May 1st, whatever, but
10 it's from April 30, '04 to April 30, '05, that was the
11 second year, correct? *2^d year*

12 A '04 to '05, yes.

13 Q That would have been the second year of
14 coverage?

15 A Correct.

16 Q And again, do you recall, based on your
17 review of the records and your job description, whether
18 SCI refused to pay a claim on any of these workers'
19 compensation claims because SCI thought the claim had
20 been improperly handled?

21 A No.

22 Q From April -- And again, I'm saying April, it
23 probably technically is midnight May 1st, I'm not doing
24 that deal, April 30th of '05 to April 30th of '06 would
25 have been the third year --

1 A Right.

2 Q -- am I correct?

3 A That's correct. And I believe they used
4 12:01 on April 30th as the...

5 Q During the third year, Mr. Edwards, from '05
6 to '06, April 30, '05 to April 30, '06, the third year,
7 do you recall a claim that was invoiced by Providence
8 Property & Casualty where SCI said we're not paying
9 this particular claim because we think it's been
10 overpaid, mishandled or something?

11 A I know complaints were raised regarding
12 several of the individuals involved and sent to, for
13 example, Michael McClellan. Julie Salcedo. Carol
14 Schwartz. Rosa Garcia came up time and time again as
15 being problematic. I think she was a claims adjuster
16 that didn't have a great deal of Florida experience.
17 But as far as that impacting whether or not we paid the
18 invoices, no, but yes, we did complain. X

19 Q Okay. I got confused on that answer. Were
20 you giving me names of Claimants or were you giving me
21 names of adjusters at Providence Property & Casualty?

22 A Claims managers and adjusters.

23 Q At Providence?

24 A At Providence.

25 Q Okay.

1 A They had been Cebcor, some of them,
2 C-e-b-c-o-r. I don't know exactly how Cebcor became
3 Providence's handling people.

4 Q All right. In your antidotal recollection,
5 in other words, you don't have a list, you don't have a
6 document, you're recalling just on your memory, you
7 recall that there were claims made in the third year,
8 April '05 to April '06, to these various adjusters at
9 Providence?

10 A There were complaints made during all years
11 about the handling to my knowledge, to the best of my
12 knowledge.

13 Q All right. Well --

14 A Because part of the thing is that when you
15 have a -- If you'll permit me to provide a brief
16 explanation.

17 Q Sure.

18 A The policy period may be April 30th, 2003
19 through April 30th, 2004, for example, but you may not
20 get a claim until -- whether it comes in during that
21 claim period or it comes in after, you know, the rare
22 instance of late reporting, but the issues regarding
23 the handling of that claim come up over a longer period
24 of time. So you may have a claim, and you're right to
25 point out the policy year, that it occurs during the

1 policy year, but the complaint about the claims
2 mishandling doesn't come up until later.

3 Q Okay. I appreciate that. And I do
4 understand that.

5 I think the testimony so far, since we don't
6 have documents that reflect actual claims that SCI
7 believes were not handled right, that in the first two
8 years SCI does not recall refusing to pay a claim, an
9 invoice, that had claims losses, claims bills on it
10 because SCI concluded that the claim was not handled
11 right? I believe we've got that established, correct?

12 A I'm not aware of any invoice that we didn't
13 pay because of claims handling during those initial
14 time frames.

15 Q All right. In the third year, again the same
16 question. I understand now that you believe that there
17 were complaints made about the handling of certain
18 adjusters that Providence used, you named them, I
19 didn't make a list, but you named them, that there were
20 complaints made about the way they handled certain
claims; am I right?

22 A That is correct, yes.

23 Q Okay. We just don't -- We just don't have an
identification of those claims, correct?

25 A Not with me today, no.

Page 76

1 Q All right. Nor do we have any kind of
2 empirical information about the amounts of monies that
3 SCI was claiming was improperly spent?

4 A Correct.

5 Q Okay. In the third year, the same question.

6 Am I correct that SCI did not -- did not refuse to pay
7 a claim, an invoice, a monthly invoice, because it
8 contended a claim was improperly administered?

9 A That's correct.

10 Q Okay. Going to April of '06 to April of '07,
11 which would have been the fourth year. Again, as you
12 sit here as the 30(b)(6) representative, does SCI
13 recall refusing to pay a claim that was invoiced to it
14 during this fourth year because it contended the claim
15 was not properly administered?

16 A No.

17 Q All right. Going to April of '07 to April of
18 '08, which is the fifth year, correct, sir?

19 A Correct.

20 Q And again, do you recall as you sit here as
21 the 30(b)(6) witness any claims that SCI got billed for
22 on a monthly basis that SCI just flat dab said I'm not
23 going to pay it because the claim is improperly
24 administered?

25 A I do not. Keep in mind, that these are

1 summary invoices that we get that do not provide the
2 detail.

6th yr

3 Q Do you recall in April of '08 to April of
4 '09, this would have been the sixth year, again -- Do
5 you have any evidence that indicates that SCI refused
6 to pay a claim submitted to it during this sixth year,
7 April '08 to April '09, because it, SCI, contended the
8 claim was improperly administered?

X X
7th yr

9 A No, I don't have anything specific.

10 Q All right. Going to April of '09 to April of
11 '10 -- or April of '10, the seventh year, were there --
12 insurance was still being written during that time
13 period, correct, sir?

14 A Yes.

15 Q Claims were still being filed and
16 administered?

17 A Correct.

18 Q Do you recall any invoices, monthly invoices,
19 that SCI refused to pay in this seventh year because
20 the claims were improperly administered?

21 A I don't.

22 Q All right. Do you have -- Do you know
23 whether there were claims from April -- Well, yeah, I
24 guess they're still going on, right, even as we sit
25 here today? There are still claims being administered

1 one way or another either on open claims or are there
2 new claims that are being filed?

3 A No new claims.

4 Q Okay.

5 A But there are open claims, yes.

6 Q All right. Well, then let me take it from
7 April '10 to April '11. It would have been the eighth
8 year. Do you recall claims that are being administered
9 ~~that SCI has refused to pay the bill on because they~~
10 ~~contend that the claim was improperly administered?~~

11 A I'm sorry, you're referring to what time
12 frame?

13 Q April '10 to April '11, the eighth year.

14 A I know that during that time frame we have
15 had disputes over loss runs and other specific issues.
16 For example, in March of 2010 we received a loss run
17 from Michael McClellan, and I apologize I do not know
18 how to spell his last name, but from Michael McClellan
19 that the reserves doubled in one month between February
20 and March.

21 And Amanda and Jennifer, Amanda Barreto and
22 Jennifer Jones, both raised that issue with Michael
23 McClellan as far as specific things that were going on
24 there. It's a red flag when your loss run -- your
25 reserves double in a month.

1 Q Okay. Do you have some documents, some
2 communication, letters, printouts, anything, that
3 memorializes this issue you just talked about?

4 A Yes. We will and we will provide them.

5 Q Do you have them here today?

6 A I don't.

7 Q All right. You mentioned, Mr. Edwards, that
8 you can recall some claims that you believe were
9 improperly managed just by your memory; is that
10 correct?

11 A And some of the documents that I have -- we
12 started to review as we're compiling. We haven't
13 gotten as far through that to compile those.

14 Q All right. Do you have any documents that
15 you've compiled available for me to ask you questions
16 about today?

17 A No.

18 Q All right. Well, then we can deal with that
19 issue later, but just tell me then what your memory is
20 of claims, and the subject is claims, that SCI believes
21 Providence Property & Casualty Insurance Company and
22 after receivership the State Guarantee Associations,
23 either or both, that you believe have not been properly
24 administered?

25 A The --

Page 80

1 Q Let me make a list of them. Number one --

2 A One that comes to mind is A "A" - claimant 1
"JC" - claimant 2

3 A- . The J~~en~~ claim.

4 Q Okay. Just a moment. A- "A" - claimant 1

5 A Correct. That's the last name.

6 Q Sir?

7 A That's the last name.

8 Q All right. Do you know roughly when the
9 claim was made off the top of your head?

10 A I don't.

11 Q You don't know whether it was '03 or '10?

12 A I can't -- I can't remember when it was first
13 made, no.

14 Q All right. Do you know any of the details
15 other than A "A" - claimant 1. Do you know how much money SCI
16 contends should not have been paid or should have been
17 paid or what --

18 A I recall that it was a litigated claim that
19 went on for an extended period of time that was poorly
20 managed to closure, if it is closed even now. I'd have
21 to verify that.

22 Q Okay. And when you say "poorly managed to
23 closure," are you getting that information from
24 Jennifer?

25 A I'm getting it from -- I'm getting it from

1 documents, from things that I've heard and to the
2 extent that we are compiling that, and that's a
3 separate issue. But from that, yes. And, of course,
4 I've spoken to Jennifer. I speak to Jennifer every
5 day.

6 Q Yes.

7 All right. That's -- Is that as much detail
8 as I'm going to get today?

9 A Yes.

10 Q I'm not intending to badger you, I'm trying
11 to be thorough here.

12 A No, I appreciate that. Yes, that's as much
13 detail as I can speak to you.

14 Q All right. And the next claim that you can
15 remember? *"B" . claim 3*

16 A There's one that's B

17 B

18 Q I'll take your word for it. *"JC" . claim 2*

19 A And also . Those are the names
20 I can remember. *claim 2*

21 Q . Those are some that I remember
22 A -- specifically. And primarily the claims mishandling --
23 I won't say primarily, because that's not even
24 necessarily all of it, but a big part of our problem

1 was the Florida claims and having adjusters with
2 limited experience in Florida claims that are sitting
3 in Texas that deal with other states, deal with other
4 clients and miss -- you know, miss things like
5 deadlines for responding to petitions for benefits that
6 result in additional cost and fees, not following up on
7 medical on a recurring issue.

8 I'm trying to think of the name of the
9 adjuster that was one of the offenders on that. Rosa
10 Garcia I believe is the name of one of the adjusters
11 that pops out was a problem. And the issues reported
12 over a period of time to various people at Providence,
13 Michael McClellan, who was a claims manager, Julie
14 Salcedo -- or Salcedo, who was a claims manager early
15 on.

16 Q These are people at Providence Property &
17 Casualty?

18 A Correct.

19 Q That Jennifer is telling you did not do a
20 very good job bottom line?

21 A Yeah. Do your job actually. That's probably
22 a good way of putting a lot of what I understand are
23 the issues. Them not doing their jobs, not responding
24 timely, not following up on medical, which, of course,
25 results in additional costs, not paying indemnity

1 timely or not picking it up on time to avoid incurring
2 fees and costs.

3 You have -- You have a whole host of issues
4 related to the medical care and the cost of that from
5 lack of follow-up from adjusters like Rosa Garcia who
6 just don't stay on these files. And keep in mind we
7 have a limited--limited--staff who's catching these
8 things and looking over these adjusters' shoulders and
9 it's just with that volume of claims it's almost
10 impossible to stay on top of them.

11 MR. BARBER: Patrick, can I interrupt you for
12 one minute?

13 MR. KERNAN: Sure.

14 MR. BARBER: Since we're listing some
15 Claimants here, we may want to just make a note
16 for the record that we're going to mark maybe this
17 part of the transcript as confidential so we're
18 complying with any kind of privacy or HIPAA
19 issues.

20 MR. KERNAN: That's a good point. I don't
21 have a problem with that at all.

22 MR. BARBER: Okay.

23 BY MR. KERNAN:

24 Q Let me summarize just so I've got this in one
25 place so that if we have to deal with this later. SCI

*
*

1 today at its 30(b)(6) does not have documents in the
2 form of e-mails or letters or notes or any -- any kind
3 of documentation, number one, to reflect complaints
4 that SCI would have made to Providence Property &
5 Casualty from 2003 to 2010, correct?

6 A Correct.

7 Q Number -- The second thing is that SCI today
8 at its 30(b)(6) does not have any documents reflecting
9 the details of those claims that it contends was not
10 properly handled, correct?

11 A We will not be able to produce at any point
12 much in the way of details on those claims because we
13 don't have the files.

14 Q Okay. Well, we can -- we can discuss that
15 issue and argue about that perhaps, but the fact of the
16 matter is today SCI does not have any details -- any
17 documents that reflect the specific claims that it
18 contends were not properly managed?

19 A Correct.

20 Q All right. Let me --

21 MR. BARBER: Patrick, can we go off record
22 for a minute.

23 MR. KERNAN: Yeah, sure.

24 (Discussion was held off the record.)

25 (Exhibit 2 was marked.)

1 experience with insurance companies, are you familiar
2 with loss runs?

3 A Somewhat, yeah.

4 Q All right. Are you aware, for example, that
5 all loss runs have to be in a particular format for
6 purposes of the various guar -- national guarantee
7 associations so that they all -- when a company goes
8 under that they all have the same format for data? Are
9 you familiar with that?

10 A I am not. The loss runs that we receive and
11 have received over the years from various carriers,
12 they don't all appear the exact same.

13 Q Okay. Does this loss run that I've handed
14 you appear to be the kinds of loss runs that you've
15 received from Providence Property & Casualty Insurance
16 Company and Imperial Indemnity Company?

17 A It appears similar.

18 Q Okay. Are you aware that those loss runs are
19 cumulative; meaning, that the most recent one has all
20 of the information going back to the beginning?

21 A I'm aware that they are cumulative, yes.

22 Q Have you had an opportunity to evaluate the
23 loss run that's marked Exhibit 3, Mr. Edwards?

24 A The latest loss run I have not gone through
25 in detail.

1 Q Has anyone in your office been assigned,
2 Jennifer or somebody in your staff been assigned to
3 evaluate those loss runs?

4 A Yes. This would be -- I don't know if I've
5 given her the latest one yet, but this is something
6 that Jennifer would look at with me, yes.

7 Q All right. As we sit here today, you're not
8 able to point to any particular Claimant on Exhibit 3
9 as a claim that SCI contends was improperly managed
10 either by Providence or Imperial before receivership or
11 by the various State Guarantee Association personnel
12 after receivership, am I correct?

13 A I believe I mentioned the three that are --
14 the two or three that I knew off the top of my head.
15 And as far as going through each one of these on a
16 specific basis, no, I can't tell you the Claimants'
17 names for all of them.

18 Q I was going to ask you, if we went to "A" *"Claimant 1"*
19 or "B" *"Claimant 3"* or "C" *"Claimant 2"*, am I correct that you're
20 not able to go through there and tell me what it is
21 that you believe was evidence of an improper claim
22 handling, are you, sir?

23 A These are all summary information. So it has
24 total med pay or total indemnity paid or total
25 reserves. It doesn't break down individual payments,

1 it doesn't break down the fees incurred as a result of
2 responding late. None of that information is contained
3 in this document in any sort of detailed fashion that I
4 derive anything from other than a total.

5 Q All right. And did you get these loss runs,
6 did SCI, on a monthly basis with invoices throughout
7 this 2003 to 2010 time period?

8 A We did receive invoices on a periodic basis.
9 Whether or not they were always attached to the
10 invoices, I can't say for certain if they were always
11 attached, but they should have been.

12 Q All right. And whose job would it have been
13 to look at the invoices and the loss runs on a monthly
14 basis at SCI?

15 A On an early -- From probably 2003 through
16 2006, these would have gone to -- maybe 2007, maybe end
17 of 2006, early 2007, the invoices would have ultimately
18 ended up with Tony Foley. From approximately 2007
19 onward they would have ended up with Debra Hubbard,
20 D-e-b-r-a, H-u-b-b-a-r-d.

21 Q All right. Let me hand you under Tab 18 a
22 document, a printout of a document, that's Bates
23 Numbered 12895 to 12904 and ask you if you've seen this
24 document before.

25 Actually let me put an exhibit sticker on it.

1 This will be Exhibit 4. It still has the same Bates
2 number reference. Actually I don't need Exhibit 4.
3 That's my bad. It's got a Bates number on it. There's
4 no sense in having Linda have it as an exhibit. So
5 that's my bad.

6 All right. My question is, let me hand you
7 12895 through 12904, it's a spreadsheet, would you take
8 a moment to look at it and then...

9 A Okay.

10 Q Have you seen this document before?

11 A I probably received it from Mark and I have
12 at least glanced at it.

13 Q Are you aware that this document has been
14 provided to Mr. Barber in discovery? Are you aware of
15 that?

16 A To the best of my knowledge it has been. It
17 looks the same or similar to what -- what was received.

18 Q All right. Have you been able to determine
19 whether any -- if you look on page 10 of 10, the last
20 page, you'll see various categories of payments.

21 A Okay.

22 Q And have you been able as the 30(b)(6)
23 witness to verify whether or not any of those numbers
24 are correct?

25 A Our numbers don't match.

1 (Break was taken.)

2 BY MR. KERNAN:

3 Q As we sit here today in the middle of the
4 afternoon on this 30(b)(6) deposition, we don't have a
5 single document from SCI that memorializes or reflects
6 any specific claim that has allegedly been mishandled,
7 do we?

8 A It has not been produced as of yet.

9 Q And as we sit here today in this 30(b)(6), we
10 don't have a single document that reflects complaints
11 that you and others on the SCI staff may have made to
12 Providence Property & Casualty or Imperial Indemnity
13 and Casualty Company about a specific claim, correct?

14 A Not here with us today.

15 Q Okay. So in terms of being able to look at
16 the actual empirical information about whether or not a
17 claim has been mishandled, we really don't have
18 anything to talk about at this point, correct?

19 A Not yet.

20 Q All right. I have understood and -- This
21 thing about a loss history, has Staffing Concepts
22 International had a loss history number? Help me out.
23 Is there some kind of industry number that some company
24 has an 85 on a loss history scale and another one has a
25 50 on a loss history scale, and therefore, that causes